



Montgomery County Economic Development 2017 Highlights

Office of the County Executive

Economic Development Highlights in 2017

Montgomery County experienced one of the most transformative and storied period in economic development between 2017 and the beginning of 2018. The Purple Line, decades after it was originally conceived, finally broke ground in the summer. The light rail line, which connects Bethesda to Silver Spring within Montgomery County, is projected to generate billions in economic impact. Purple Line's construction had led to several high-profile corporate headquarters relocations and expansions to downtown Bethesda including **Host Hotels & Resorts** (a Fortune 500 company), **JBG-Smith** (the region's largest development company), **Booz Allen Hamilton**, and **Fox 5** (a relocation from DC). At the time of this writing, Montgomery County just experienced the most dramatic turn of events in one week, with Discovery Communications announcing its departure for New York City followed by Amazon's selection of Montgomery among its top 20 finalists for its second headquarters from a whopping 238 bids from across North America.

Several Master Plans and Sector Plans were approved in 2017, further accelerating Montgomery County's ability to adapt to a changing economy and lifestyles and to compete for opportunities that favor dense, urban settings. The Montgomery County Economic Development Corporation and WorkSource Montgomery became fully functioning organizations. Two incubators managed by Bio-Health Innovation reached full occupancy with the third one finally moving forward with the transition process after unexpected complexities. The County continues to implement business-friendly measures including an expanded MOVE program that has brought in close to 80 new office tenants since its inception, fiber connections, more efficient permitting, and public-private partnerships that generated over \$73 million in private investments in key development projects. Many of these developments will not be fully realized for years, yet their impact will be considerable in Montgomery County's economic vitality.



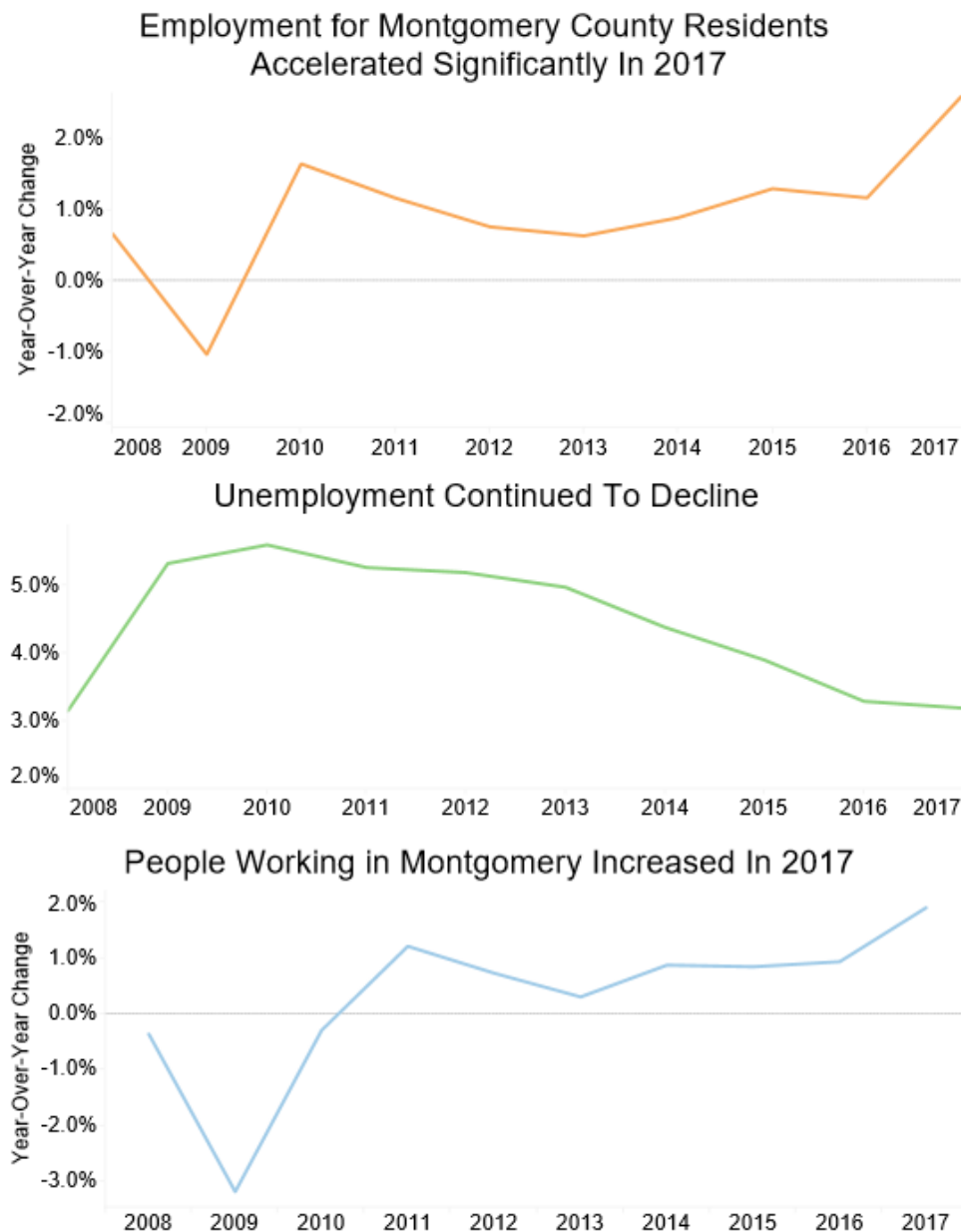
INNOVATION
THROUGH DIVERSITY

**Amazon doesn't follow. It leads. And so does
Montgomery County.**

A Healthy and Dynamic Labor Market

In 2017 Montgomery County's labor market continued its steady growth. There was a significant increase in both resident employment, growing 2.6 percent year-over-year, and payroll employment, growing 1.9 percent year-over-year. Unemployment experienced further decline, dipping to a historical low of 3.2 percent in 2017 from 3.3 percent in 2016. Even with the significant increase in labor force participation, wage and salary income in 2017 is estimated to have increased by 4.1 percent, continuing the trend from 2016.

Average sales price for an existing home increased 3.5 percent in 2017 following a modest increase of 0.8 percent in 2016.



Business Vitality

Headquarters, acquisitions & life sciences dominated headlines in 2017 with multiple major deals that spoke to the vitality of Montgomery County as a business destination and a burgeoning innovation and tech-driven economy. Bethesda is the big winner in corporate headquarters with Marriott International's relocation choice in 2016 and Donohoe Development moving there a year earlier.

Corporate headquarters retention and expansion

Host Hotels & Resorts, a Fortune 500 real estate investment trust, announced in December it will move its headquarters and its 187 employees to JBG Smith's new headquarter building at 4747 Bethesda Avenue in downtown Bethesda.

JBG-Smith, the largest commercial real estate developer in the Washington region with a portfolio of nearly 20 million SF, is moving its headquarters to a 287,000 SF trophy office building it is developing in downtown Bethesda. Over 100 employees joined JBG-Smith from the merger of Vornado Realty Trust's Virginia office and JBG. JBG-Smith will occupy 80,000 SF at 4747 Bethesda Avenue with the development projected to deliver in Q3 2019.



Rendering of the new Apex Building Fox 5 will occupy at 7272 Wisconsin Avenue in Bethesda

Fox 5 announced in September they are relocating to the new Apex Building in Bethesda from Washington DC in 2021. Fox will occupy 57,500 SF with \$32.5 million in capital investment and 178 full-time positions. They will build out a 57,500 SF state-of-the-art studio, newsroom and office space, and be a welcome addition to the Montgomery County community.

Major Acquisitions

Cisco Systems announced in October it will acquire the Gaithersburg based technology company **BroadSoft** for a price tag of \$1.9 billion. BroadSoft enables mobile, fixed-line and cable service providers to offer unified communications over their Internet networks.

Fortune 500 firm **Aramark** acquired the Rockville based **Avendra** for \$1.35 billion in December. Avendra is a hospitality procurement company, which Marriott had majority interest in. It now manages almost \$5 billion in purchasing for around 650 companies. Avendra will continue to operate in its own name and its headquarters will remain in Rockville.

CBRE acquired **North Bethesda Market**, a mixed-use development with the County's tallest building. CBRE also acquired 50 percent of the Bethesda-based **Streetsense**, a design and marketing company, and their retail brokerage in November.

GlaxoSmithKline PLC (GSK), the eighth largest pharmaceutical company worldwide, announced it was investing \$139 million at its 420,000 SF campus and manufacturing site located in Rockville. In December 2016, GSK opened a Global Vaccines Research and Development Headquarters with a \$50 million investment and now has over 660 employees in Montgomery County.



Bethesda-based **Sucampo Pharmaceuticals** is being acquired by Mallinckrodt for \$1.2 billion. Sucampo believes this partnership will accelerate the development of their portfolio of existing drugs and rare disease assets.

It was announced in December that biotech services company **Precision Medicine Group (PMG)**, based in Bethesda, raised \$275 million in private equity funding. PMG has over 1,000 employees in 22 locations. It supports pharmaceutical and life sciences companies as they develop new products in the field of precision medicine.

Private Capital for Life Sciences and Biotech Companies

MacroGenics Inc., a Rockville-based biotech company, agreed to a collaboration deal in October with Incyte Corp., which could be worth up to \$900 million. MacroGenics will receive \$150 million up-front, in return Incyte gains rights to a MacroGenics's cancer drug. The deal could ultimately be \$420 million in development and regulator milestones and \$330 million in commercial milestones.

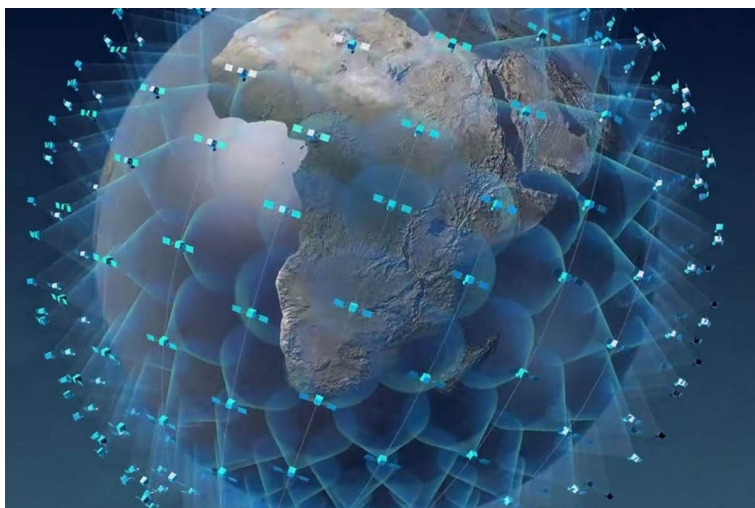
Alexandria Real Estate Equities announced, in 2018, it would develop 300,000 square feet of new wet lab space in Rockville, Launch Labs II.

The **Emmes Corporation**, based in Rockville, received a \$70 million contract with NIH to support pediatric clinical trials.

Emergent BioSolutions acquired Raxibacumab, an FDA approved Anthrax Monoclonal Antibody, valued at approximately \$130 million, from GSK.

In November **Hughes Network Systems**, based in Germantown, agreed to a \$190 million contract with **OneWeb** to produce infrastructure to undergird OneWeb's network of low-earth orbit satellites. This deal brings the total value of their partnership to more than \$300 million.

Germantown-based bioengineering company **Intrexon** received a new funding commitment of \$100 million from Randall Kirk to fund its commercialization and growth efforts.



Rendering of OneWeb's satellite constellation, that Hugh Network Systems is supporting, which will provide global internet broadband service.

Senseonics Holding Inc. raised \$41 million to commercialize an implantable glucose monitor, Eversense, this June. Last year, Senseonics raised \$45 million in an IPO. They have received European regulatory approval for Eversense and are waiting on FDA approval.

Bethesda based **Precision Medicine Group** raised \$275 million to expand its global footprint and scale up development of its innovative treatments. It employs over 1,000 people and provides services to 17 of the top 20 global pharmaceutical companies and has supported over 100 clinical trials in autoimmune and immune-oncology.

Pursuing New Opportunities

Montgomery County submitted a bid for **Amazon**'s second headquarters, known as **Amazon HQ2**, an opportunity that would mean as many as 50,000 employees at an average salary over \$100,000. It was announced in 2018 that Montgomery County was one of 20 finalists, from 238 submissions. Being on the short list is a tremendous kudo and validation to everything the County has been investing in over the years to advance its innovation economy, skilled workforce, a strong public education system, infrastructure, and quality placemaking.

The **MOVE** office business attraction program, which provides \$8 per SF for new office tenants, was expanded from maximum 10,000 SF for qualified new Montgomery County office tenants to 20,000 SF. Additional funds will facilitate reducing the commercial office space vacancies in the County. Since the announcement of increased financial assistance, the County has attracted 23 new businesses in 2017 with the MOVE Program.

The **Economic Development Fund** provided grants through the Biotechnology Supplement Program for 95 investments in 2017, totaling more than \$13.5 million in 12 Montgomery County biotech companies since 2015. It also enabled the attraction of Rapid Financial Services to create 87 new jobs to the County. The company will generate more than 120 additional jobs within the next four years. Finally, it facilitated the retention and expansion of Sucampo Pharmaceuticals, a biotech business which is expected to create at least 100 new jobs in the next five years.



Montgomery County Executive Ike Leggett led a **trade and education mission to China and South Korea** with 40 County leaders and residents this October. County Executive Leggett signed a Sister City agreement with Daejeon, South Korea and Montgomery College President Dr. DeRionne Pollard signed agreements with universities in Daejeon and Xi'an China. The group met with 43 companies in Daejeon and 29 companies in Shanghai facilitating partnership opportunities in top industries.

Montgomery County Economic Development Corporation

In 2017, the Montgomery County Economic Development Corporation (MCEDC) rapidly scaled up its operations to be the agent of Montgomery County economic development and the first point of contact for businesses. MCEDC was a central player in the attraction of Fox 5 and the Amazon HQ2 RFP response as well as several other major relocation and expansion cases. From June 2017, MCEDC's direct involvement in business retention and attraction had led to nearly **1,998 jobs** being

retained or added to the County and a total capital investments of \$325 million leveraged by \$2.6 million in Economic Development Funds.



MCEDC now implements the MOVE grants for Montgomery County. Over 107,000 SF is projected to be absorbed in FY 18, with grants to 20 companies. This would be the most productive year for MOVE following FY'17 with an absorption of 72,745 SF.

The Business Development Team assisted in a global consulting firm relocating to Bethesda, with \$7 million in capital expenditures and plans to retain 750 full-time positions and a satellite communications company relocating to a new Germantown location, with \$43 million in capital expenditures and retention of 140 full-time employees, and plans for 36 new hires.

Outreach to retain and promote minority and small business expanded in 2017. A Director of Small and Minority Business Development started significant outreach, marketing, and technical assistance to underserved communities, which included MOVE applications, site visits, and participations in MCEDC marketing campaigns.

Several marketing initiatives were launched by MCEDC in 2017, including the *Think Success* video campaigns. The Think Success video series, featuring CEOs and business leaders in the community, gives an insider's perspective on business growth and success. The Think Success videos have had 64,0641 views and 191,927 impressions. The *We are Montgomery County* campaign directly engages the community and assists marketing for small businesses. The campaign explores the stories of business leaders, entrepreneurs and innovators in Montgomery County. MCEDC has filmed 220 videos to date, more than half way towards their Moco 365 number.

MCEDC shares a modern 10,000-sq. ft. office space with Visit Montgomery and WorkSource Montgomery. This co-location enables frequent collaboration of entities that are crucial components of Montgomery County's economic development strategy.

Making It Easier To Do Business

The County continues to implement and adopt measures to make it easier for businesses to interact with the County government.

Montgomery County Business Portal

To make it easier for businesses to find information and understand what it takes to start and operate businesses in Montgomery County, the Office of the County Executive led the efforts to develop an integrated business portal, www.montgomerycountymd.gov/biz, that provide one-stop easy access. It was launched in summer 2017 in partnership with the County Executive's Economic Advisory Group.

Permit Streamlining

- The Department of Permitting Services (DPS) processed 59,501 permits, licenses and approvals which includes permits for over 28 million square feet of construction work in 2017.
- Commercial building permits for new construction were issued 13 days faster than in 2016 and 79 days faster than in 2015.
- 2017 commercial building permits for additions were issued 15 days faster than in 2016.
- In 2017 residential building permits were issued 13 days faster than in 2016.
- DPS developed a policy to facilitate Artisan Manufacturing and production for breweries and distilleries.
- The department completed the Insurance Services Office review and moved up on the Building Code Effectiveness Scale for both commercial and residential construction placing Montgomery County in the top 2% of jurisdictions in the State in the most favorable category for new construction insurance rates.

Customer Service

In 2017 a primary area of focus was improving the experience of businesses interacting with Montgomery County Government. The County Executive charged a cross-functional team with examining the current state and proposing specific actions to improve customer service and measure results. Mr. Leggett approved recommendations from the Business Service Advisory Group in December. The following short-term recommendations are being implemented by business-facing departments:

- Posting a county-wide customer service statement in employee areas of county office buildings.
- Installing wayfinding signs to make it easier for the public to locate county offices.

Coordinating outreach activities across departments to present a unified message.
saving building improvements.

Commercial Property Assessed Clean Energy (C-Pace) financing program

From October to December 2017, the County added two additional projects under the Commercial Property Assessed Clean Energy (C-PACE) financing program. These two projects, which included solar PV, boiler and hot water system replacements, LED lighting upgrades, VFD and HVAC system improvements, and updated controls – totaled more than \$2.5 million in energy efficiency and renewable energy improvements. Since the C-PACE program's inception in June 2015, the program has accepted 11 projects totaling more than \$7.7 million in energy and cost.

Façade Improvements

The Department of Housing and Community Affairs (DHCA) active facade improvement program which was designed to preserve and retain small neighborhood-serving commercial centers, completed exterior building renovations, new pylon signage and LED lighting for seven properties (24 businesses) at a cost of almost \$2.8 million. This public/private partnership is more than half funded by property owners who otherwise lacked the means to improve their dilapidated sites. The program, in turn, allows small, locally-owned businesses to continue to serve nearby customers and remain in the County.

BEFORE



AFTER



Talent Development

In 2017, WorkSource Montgomery grew to be the central convener of Montgomery County's workforce development resources and programs in partnership with industries, academic institutions and nonprofits. Select highlights of its 2017 activities include:

- Job Seekers Served: 77,770
- Services Provided For: 119,747
- Businesses Served: 441
- Invested in Montgomery County Employees: \$805,000
- Youth Served: 367
- Youth Services Provided: 2,500

To address the nursing shortage, WorkSource Montgomery (WSM) was awarded an EARN grant (\$200,000) to provide scholarships to nursing students to enhance and accelerate the workforce pipeline by training and placing 60 nursing students per year through a strategic partnership with Universities at Shady Grove and the Healthcare Initiative Foundation. WSM provided 30 scholarships for the first semester.



In partnership with the National Cancer Institute (NCI), National Institute of Health (NIH), and Bio-Health Initiative (BHI), WSM has conducted two Industry exploration meetings to determine current demand across fields, especially targeting opportunities for the over 5,000 Montgomery County based PostDoctoral employment candidates. Throughout 2018, WSM will be conducting several training workshops to enhance professional skills and help the participants understand the business side of Bioscience research. A hiring event will be held the summer of 2018 in partnership with 20 Montgomery County employers.

Some specific activities of WSM include:

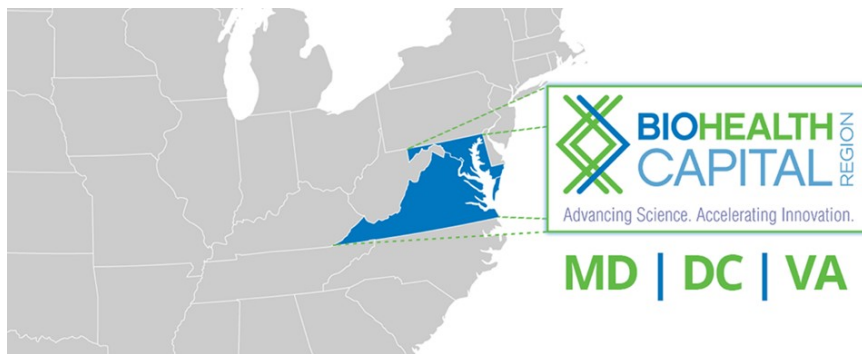
- Through a strategic partnership with Montgomery College, WSM is offering cohort training in medical assistants. This program is free to unemployed or underemployed participants. These 10-week cohort trainings are offered at the Wheaton American Job Center with targeted hiring events upon graduation.
- WSM continues to partner with Montgomery College in the implementation of the Tech Hire and American's Promise grants. WSM has been awarded an EARN grant (\$150,000) to provide scholarships for coder training for individuals underrepresented in IT related occupations.
- WSM has collaborated with several construction employers to address the current shortage of qualified workers for trades-based occupations. In partnership with the Associated Builders and Contractors WSM held targeted hiring events resulting in 90% of opportunities filled.
- In partnership with Montgomery County Department of Environmental Protection, a Green Infrastructure Specialist certification training program has been established with cohort training to begin in September.
- WSM established an entrepreneur training program. The program matches cohorts of unemployed/ underemployed participants with mentors to support the growth of new enterprises and independent employment. WSM is targeting the East County Region for this program due to the limited employers in this region.
- To address the shortage of utility workers in the area, WSM partnered with PEPCO to provide STEM training for career seekers to pass the competency assessments needed for utility training.
- WSM established partnerships with Identity Inc, and TransCen to best meet the needs of our young adults through mentorship, career coaching, GED training/testing and career certification training programs.
- In partnership with MCPS, WSM implemented the Summer RISE program to provide high school juniors and seniors an opportunity to experience the world of work across industry sectors. In its first year, WSM served close to 400 students and has started the host registration process for Summer RISE 2018 and anticipate doubling the program this summer.
- In partnership with Jewish Council for the Aging (JCA), the Montgomery County age-friendly task group and the AARP, WSM provides direct career coaching to career seekers age 50+. In addition, resources are posted on the WSM website to better support senior services. WSM also provide employers strategies and training to develop an age-friendly workplace.

Microloans

In April the Montgomery County Council approved the County's microlending program, which will be administrated by MCEDC and the Latino Economic Development Corporation. The loans are capped at \$15,000 while most loans are initially at \$500 to \$5,000. The loans provide access to capital to populations who traditionally cannot access conventional sources of funding and the program provides technical assistance to loan recipients.

Biohealth Innovation

The Biohealth industry continued to experience positive momentum with billion-dollar acquisitions, major investments, and entrepreneurial activity which makes Montgomery County one of the premier locations worldwide for the Biohealth industry. The BioHealth Capital Region also increased its National Cluster ranking from 6th to 5th, in 2017, as recognized by Genetic Engineering News.



In 2017 Biohealth Innovation (BHI) implemented a range of measure to advance this key sector in the County's economy. Two Montgomery County Innovation Centers in Rockville and Germantown, which are managed by BioHealth Innovation, reached full occupancy, with 52 companies, and have greater emphasis on growth-oriented businesses. The Third Annual BioHealth Capital Region Annual Forum co- founded by BHI and MedImmune had record registrations of 1,100 in 2017 and was financially supported by 35 globally recognized BioHealth sponsors.

Infrastructure / Placemaking

The Purple Line officially broke ground on August 28th and is anticipated to open in 2022. The 16.2-mile light rail line will have 21 stations, 10 of which will be in Montgomery County, and connect with four metro stations. Ridership is projected at 74,500 daily by 2040. It will provide a crucial east-west transit connection between major job centers, neighborhoods, the University of Maryland's flagship campus, and several existing transit lines. Purple Line Transit Partners and the Maryland Department of Transportation have a \$5.6 billion public-private-partnership contract to design, build, finance, operate and maintain the light rail system. Montgomery County, Prince George County, the University of Maryland, and several other entities agreed to a Community Development Agreement in November. Several Master Plans and Sector Plans, which emphasize transit oriented development and walkability, have been adopted recently along the Purple Line alignment.

The long-awaited Watkins Mill Interchange broke ground in July. The \$97.71 million interchange will connect the two sides of Watkins Mill Road and four new entry and exit ramps to I-270. The project is expected to complete in 2020. It will provide a sorely needed east-west connection for the Gaithersburg area and help relieve congestion on I-270. Construction is also underway on the 355 Crossing Project that will provide a pedestrian underpass connecting Walter Reed / Naval Support with the Medical Center Metrorail Station on the west side of 355 and deep elevators on the Navy side to the Metrorail mezzanine. The projected will complete in 2021.



The Department of Transportation Services implemented the **Ride On Extra Service** on MD 355 from the Lakeforest Transit Center to the Medical Center Metro Station and the **Rock Spring Express** began operating between the Grosvenor Metro Station and five bus stops in the Rock Spring Business Park, which has attracted new transit riders. The Rock Spring Express route is helping to transform Rock Spring from a traditional office park and enhance connectivity for workers and the businesses that employ them. Ride On service improvements accord for Clarksburg, Wheaton and Glenmont and provided new service to Clarksburg Premium Outlets. In addition, MCDOT won a \$10 million TIGER Grant in April for a 14-mile, US 29 Bus Rapid Transit system.



Fiber/Broadband

Lightower completed deployment of a low latency in 2017, direct fiber route under the Potomac River to connect Montgomery County with Ashburn Virginia data centers. Up to 70 percent of worldwide Internet traffic flows through Ashburn and shorter route connections create greater efficiencies and advanced networking opportunities for large corporate and federal institution data users.

USA Fiber installed conduit and fiber for its Ashburn Express route, deploying more than 5,000 strands of fiber 50 feet below the Potomac River to create the shortest- distance crossing between Ashburn data centers and Montgomery County. USA Fiber will continue to build out its fiber towards North Bethesda and White Oak as new anchor tenants are acquired.

The County hosted public and industry meetings to update the County's zoning coding to accommodate 5G and other advanced networking technologies and highlighted the robust broadband, fiber, and wireless connectivity infrastructure in its proposal to Amazon.

Visit Montgomery (Tourism)

Hotel tax collections grew by 7.8 percent in 2017. Overnight and daytrip visitors to Montgomery County increased 3.5 percent in 2016, which is the most recent data available.

Visit Montgomery applied for and received full funding from the Maryland Heritage Areas Authority Marketing Grant. The fund will be used to focus on Heritage Montgomery's Crossroads and Cultures theme that includes the Woodlawn Manor Cultural Park in Sandy Spring as well as other heritage and tourism sites.

In Spring 2017 Visit Montgomery launched a new promotional destination marketing video. The video received at its launch 138,655 views on Facebook and continues to be viewed on the website www.visitmontgomery.com.

The D.C. Region hosted the 2017 International Pow Wow (IPW) for the first time, bringing 7,300 delegates from 75 countries for the travel industry's premier international marketplace. IPW is the largest travel trade show in North America. Montgomery County hosted two post-familiarization tours with 45 tour operators and travel agents attending IPW.



Affordable Housing

Since FY08, a total of \$803 million has been invested in support of affordable housing leveraging \$947 million in non-County funding. The County invested over \$51 million in affordable housing in 2017, including the Montgomery Housing Initiative (MHI) fund and utilized \$16 million from the Affordable Housing Acquisition and Preservation CIP project.

Planning for Smart Growth

The Montgomery County Council adopted the **Bethesda Downtown Sector Plan** in May. The plan will allow up to a 165 percent increase in housing, while also doubling income restricted units and requiring new developments to include at least 15 percent moderately priced dwelling units (MPDU). The new Downtown Sector Plan will also facilitate four large Class A office developments: Marriot International's headquarters (1.05 million SF), Carr Properties' 937,000 SF redevelopment of the Apex Building, StonebridgeCarras' 500,000 SF redevelopment of 7359 Wisconsin Ave, and JBG Smith's new 287,000 SF headquarters.

The **Rock Spring Master Plan** was approved in November. The Master Plan envisions several opportunities to transition Rock Spring from predominantly single-use suburban office buildings, which are currently facing high vacancy rates, through enhanced public use spaces and amenities; residential and non-residential uses; sustainable environmental measures; infrastructure needs for the area, and linkages to the proposed transitway along a central spine.

In December The **White Flint 2 Sector Plan** was approved, which includes improving transportation networks, including the redesign of Rockville Pike into a tree-lined boulevard; integrating land uses on both sides of the CSX tracks and proposed MARC station, and encouraging mixed-use, walkable developments.



The **Grosvenor Strathmore Metro Area Minor Master Plan** was also approved by the Council this December. The plan boosts density to 1.9 million square feet of both residential and commercial square feet by increasing and concentrating future growth at the metro site.

A **Retail Market Strategy Study** commissioned by the Department of Planning was completed and presented to the Planning Board in October. The study concluded that the County's retail is relatively balanced and not over-built, although more neighborhood-serving goods and services are needed in most communities in lieu of general goods.

In November the **Adventist HealthCare White Oak Medical Center** reached its "topping out" phase of construction. The \$404 million hospital will have 170 beds and is expected to deliver in 2019. Construction will start in 2018 on a 170,000 SF medical office building, which will house outpatient services and physician offices. The hospital development is a critical catalyst for the County's revitalization of East County anchored by the Food and Drug Administration.



Construction began at the beginning of the year on the 14-story Park and Planning Commission headquarters, town square, and underground parking lot in Wheaton. The Departments of Environmental Protection, Permitting Services, Recreation and Health and Human Services, as well as the Office of Community Use of Public Facilities and the Mid-County Regional Services Center/Urban District will also locate there. The development is projected to deliver in 2019.

White Oak

The **White Oak Science Gateway Master Plan** was approved in 2014 to guide the development of 3,000 acres in White Oak into a research hub that embraces mixed-use development, open space, and transit. FDA has consolidated thousands of employees at their headquarters in White Oak. With almost 9,000 employees in 2017. **Viva White Oak, a 12,000,000 SF, \$3 billion multi-phase development, is projected to break ground on its first phase in 2019.**

